

SUMNER-FREDERICKSBURG  
COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS

JUNE 30, 2022

# SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT

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SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2022

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Lonnie Schult	Board President	2026
Michael DeSloover	Board Vice President	2023
Jamie Steege	Board Member	2023
Roger Wedemeier	Board Member	2023
Ashley Meyer	Board Member	2026
<b>School Officials</b>		
Fred Matlage	Superintendent	2023
Beth Weepie	District Secretary	Indefinite
Tremaine Law Office	Attorney	Indefinite
Ahlers & Cooney PC	Attorney	Indefinite



# Kay L. Chapman, CPA PC

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Muscatine, Iowa 52761  
563-264-1385  
kchapman@cpakay.com

## Independent Auditor's Report

To the Board of Education of Sumner-Fredericksburg Community School District:

### Report on the Audit of the Financial Statements

#### Opinions

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sumner-Fredericksburg Community School District, Sumner, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Sumner-Fredericksburg Community School District as of June 30, 2022 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. general accepted accounting principles.

#### Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of my report. I am required to be independent of Sumner-Fredericksburg Community School District, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my audit. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### Emphasis of a Matter

As discussed in Note 13 to the financial statements, Sumner-Fredericksburg Community School District adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 87, Leases. My opinions are not modified with respect to this matter.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sumner-Fredericksburg Community School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sumner-Fredericksburg Community School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sumner-Fredericksburg Community School District's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability (Asset), the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 6 through 15 and 53 through 58 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sumner-Fredericksburg Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2021 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the five years ended June 30, 2017 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial

statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information in Schedules 1 through 5 is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated February 13, 2023 on my consideration of Sumner-Fredericksburg Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sumner-Fredericksburg Community School District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Kay Chapman".

Kay L. Chapman, CPA PC  
February 13, 2023

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Sumner-Fredericksburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2022. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2022 FINANCIAL HIGHLIGHTS**

- The District implemented Governmental Accounting Standards Board Statement (GASBS) No. 87, Leases, during fiscal year 2022. At July 1, 2021, the District had no leases meeting the definition of GASBS No. 87, therefore implementation of this standard had no effect on the beginning capital assets, liabilities or net position for governmental activities.
- General Fund revenues decreased from \$10,616,611 in fiscal year 2021 to \$10,613,703 in fiscal year 2022, and General Fund expenditures increased from \$10,004,460 in fiscal year 2021 to \$10,331,510 in fiscal year 2022. The District's General Fund balance increased from \$1,944,972 in fiscal year 2021 to \$2,227,165 in fiscal year 2022, a 15% increase.
- The decrease in General Fund revenues was attributable to not receiving additional federal revenue sources as in the previous year due to Covid. The District's General Fund balance increase is attributable to previous staffing decreases made as well as operational sharing positions incorporated into positions in the District.
- The District's solvency ratio increased from 19% at June 30, 2021 to 22% at June 30, 2022.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Sumner-Fredericksburg Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental and business type activities services were financed in the short term as well as what remains for future spending. Fund financial statements report Sumner-Fredericksburg Community School District's operations in more detail than the government-wide financial statements by providing information

about the most significant funds. The remaining financial statements provide information about activities for which Sumner-Fredericksburg Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.



Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary fund*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of the Private-Purpose Trust Fund.

Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2022 compared to June 30, 2021.

Figure A-1

### Condensed Statement of Net Position

	Condensed Statement of Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2021-2022</u>
Current and other assets	\$ 12,413,062	\$ 11,163,273	\$ 374,582	\$ 237,963	\$ 12,787,644	\$ 11,401,236	12.16%
Capital assets	<u>9,105,694</u>	<u>9,142,283</u>	<u>85,383</u>	<u>56,795</u>	<u>9,191,077</u>	<u>9,199,078</u>	-0.09%
Total assets	<u>21,518,756</u>	<u>20,305,556</u>	<u>459,965</u>	<u>294,758</u>	<u>21,978,721</u>	<u>20,600,314</u>	6.69%
Deferred outflows of resources	<u>708,579</u>	<u>1,098,531</u>	<u>19,903</u>	<u>93,343</u>	<u>728,482</u>	<u>1,191,874</u>	-38.88%
Long-term liabilities	3,741,726	8,716,246	2,781	147,447	3,744,507	8,863,693	-57.75%
Other liabilities	<u>1,216,657</u>	<u>1,223,219</u>	<u>17,201</u>	<u>22,069</u>	<u>1,233,858</u>	<u>1,245,288</u>	-0.92%
Total liabilities	<u>4,958,383</u>	<u>9,939,465</u>	<u>19,982</u>	<u>169,516</u>	<u>4,978,365</u>	<u>10,108,981</u>	-50.75%
Deferred inflows of resources	<u>8,670,540</u>	<u>4,524,040</u>	<u>111,898</u>	<u>122,001</u>	<u>8,782,438</u>	<u>4,646,041</u>	89.03%
Net position							
Net investment in							
capital assets	6,297,845	6,227,283	85,383	56,795	6,383,228	6,284,078	1.58%
Restricted	4,748,949	4,033,430	-	-	4,748,949	4,033,430	17.74%
Unrestricted	<u>(2,448,382)</u>	<u>(3,320,131)</u>	<u>262,605</u>	<u>39,789</u>	<u>(2,185,777)</u>	<u>(3,280,342)</u>	33.37%
Total net position	<u>\$ 8,598,412</u>	<u>\$ 6,940,582</u>	<u>\$ 347,988</u>	<u>\$ 96,584</u>	<u>\$ 8,946,400</u>	<u>\$ 7,037,166</u>	27.13%

The District's total net position increased by 27%, or \$1,909,234, over the prior year.

The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings, equipment and intangible right-to-use leased equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$715,519, or approximately 18% over the prior year. The District's restricted net position increased due to increase in federal revenues received from the coronavirus pandemic in 2022 as well as decrease in liabilities.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$1,094,565, or 33%. This increase in unrestricted net position was a result of the decrease in other expenditures.



Figure A-2 shows the changes in net position for the year ended June 30, 2022 compared to the year ended June 30, 2021.

Figure A-2

Change in Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	2022	2021	2022	2021	2022	2021	2021-2022
Revenues							
Program revenues							
Charges for service	\$ 890,157	\$ 973,790	\$ 64,251	\$ 66,262	\$ 954,408	\$ 1,040,052	-8.23%
Operating grants	2,347,880	2,073,203	663,451	596,013	3,011,331	2,669,216	12.82%
General revenues							
Property tax	4,499,037	4,362,579	-	-	4,499,037	4,362,579	3.13%
Income surtax	502,239	489,853	-	-	502,239	489,853	2.53%
Statewide sales, services and use tax	942,382	796,649	-	-	942,382	796,649	18.29%
Unrestricted state grants	3,703,463	3,888,436	-	-	3,703,463	3,888,436	-4.76%
Contributions and donations	6,000	31,175	-	-	6,000	31,175	100.00%
Unrestricted investment earnings	13,023	34,617	528	620	13,551	35,237	-61.54%
Other	30,940	14,832	-	-	30,940	14,832	108.60%
Disposal of capital assets	-	(1,206)	-	-	-	(1,206)	-100.00%
Total revenues	<u>12,935,121</u>	<u>12,663,928</u>	<u>728,230</u>	<u>662,895</u>	<u>13,663,351</u>	<u>13,326,823</u>	2.53%
Program expenses							
Governmental activities							
Instruction	6,906,227	7,470,960	-	-	6,906,227	7,470,960	-7.56%
Support services	3,446,589	3,380,669	-	-	3,446,589	3,380,669	1.95%
Non-instructional programs	4,656	-	476,826	519,429	481,482	519,429	-7.31%
Other expenses	<u>919,819</u>	<u>776,264</u>	<u>-</u>	<u>-</u>	<u>919,819</u>	<u>776,264</u>	18.49%
Total expenses	<u>11,277,291</u>	<u>11,627,893</u>	<u>476,826</u>	<u>519,429</u>	<u>11,754,117</u>	<u>12,147,322</u>	-3.24%
Change in net assets before transfers	1,657,830	1,036,035	251,404	143,466	1,909,234	1,179,501	-61.87%
Transfers	-	-	-	-	-	-	-100.00%
Change in net position	1,657,830	1,036,035	251,404	143,466	1,909,234	1,179,501	61.87%
Net position beginning of year	<u>6,940,582</u>	<u>5,904,547</u>	<u>96,584</u>	<u>(46,882)</u>	<u>7,037,166</u>	<u>5,857,665</u>	20.14%
Net position end of year	<u>\$ 8,598,412</u>	<u>\$ 6,940,582</u>	<u>\$ 347,988</u>	<u>\$ 96,584</u>	<u>\$ 8,946,400</u>	<u>\$ 7,037,166</u>	27.13%

In fiscal year 2022, property tax and unrestricted state grants accounted for 63% of governmental activities revenue while charges for service and sales and operating grants accounted for almost 100% of business type activities revenue. The District's total revenues were \$13,663,351, of which \$12,935,121 was for governmental activities and \$728,230 was for business type activities.

As shown in Figure A-2, the District as a whole experienced an increase in revenues of approximately 3% and a decrease in expenses of approximately 3%.

## Governmental Activities

Revenues for governmental activities were \$12,935,121 and expenses were \$11,277,291 for the year ended June 30, 2022.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2022 compared to those expenses for the year ended June 30, 2021.

Figure A-3

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2022	2021	2021- 2022	2022	2021	2021- 2022
Instruction	\$ 6,906,227	\$ 7,470,960	-7.6%	\$ 4,218,641	\$ 5,104,018	-17.3%
Support services	3,446,589	3,380,669	1.9%	3,278,455	3,082,112	6.4%
Non-instructional programs	4,656	-	100.0%	4,656	-	100.0%
Other expenses	<u>919,819</u>	<u>776,264</u>	18.5%	<u>537,502</u>	<u>394,770</u>	36.2%
Total expenses	<u>\$ 11,277,291</u>	<u>\$ 11,627,893</u>	-3.0%	<u>\$ 8,039,254</u>	<u>\$ 8,580,900</u>	-6.3%

For the year ended June 30, 2022:

- The cost financed by users of the District's programs was \$890,157.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,347,880.
- The net cost of governmental activities was financed with \$5,943,658 of property and other taxes and \$3,703,463 of unrestricted state grants.

## Business Type Activities

Revenues for business type activities during the year ended June 30, 2022 were \$728,230 representing an increase of 10% over the prior year, while expenses totaled \$476,826, a decrease of approximately 8% from the prior year. The District's business type activities include the School Nutrition Fund. Revenues for these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2022, due to the 2019 Coronavirus pandemic, each student was able to receive free meals from USDA. Because of the free meals, the District received an increase in federal reimbursement funds to pay for the student meals.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, Sumner-Fredericksburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,001,078 compared to \$5,029,179 at the end of fiscal 2021. The primary reason for the increase in combined fund balances in fiscal 2022 is decreased expenditures.

### **Governmental Fund Highlights**

- The District's improving General Fund financial position is the result of many factors. The additional increase of miscellaneous income from the coronavirus pandemic from the federal government is reflected by the improved financial position.
- The General Fund balance increased from \$1,944,972 in 2021 to \$2,227,165 in 2022, due to the continual participation in operational sharing with other districts as well as the increase in funding during the 2019 Coronavirus pandemic.
- The Capital Projects - Statewide Sales, Services and Use Tax Fund balance increased from \$2,049,613 in fiscal 2021 to \$2,249,883 in fiscal year 2022. There were not any large construction projects in process during fiscal year 2022. The District will begin utilize this funding to improve the building structures currently in place.
- The Capital Projects - Physical Plant and Equipment Levy Fund balance increased from \$438,767 in 2021 to \$799,994 in 2022 due to the implementation of the PPEL tax levy as well additional transfer from Debt Service from past years.

### **Proprietary Fund Highlights**

Enterprise Fund net position increased from \$96,584 at June 30, 2021 to \$347,988 at June 30, 2022, an increase of over 100%. This increase is due to the additional federal revenue received due to the coronavirus pandemic in 2019.

## **BUDGETARY HIGHLIGHTS**

The District amended its budget one time during the year ended June 30, 2022, increasing budgeted expenditures by \$225,000 due to additional covid and equipment expenses.

The District's total revenues were \$714,468 more than budgeted revenues, a variance of 6%. The most significant variance resulted from the District receiving increase in revenues due to the novel coronavirus pandemic.

Total expenditures were \$1,902,619 less than budgeted. This is due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund.

The District then manages or controls General Fund spending through its line-item budget. As a result, the District's Certified Budget should always exceed actual expenditures for the year. District management is able to track spending by checking on a monthly basis to keep expenditures under control; however, the salaries negotiated for fiscal year 2022 were higher than anticipated.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2022, the District had invested \$9,191,077 net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangible right-to-use leased assets. (See Figure A-4) This represents a net decrease of approximately 1% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation/amortization expense for the year was \$620,691.

The original cost of the District's capital assets was \$22,997,801. Governmental funds account for \$22,792,812, with the remainder of \$204,989 accounted for in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the right-to-use leased asset category, which increased by \$113,989 due to the copier lease agreements.

Figure A-4  
Capital Assets, Net of Depreciation/Amortization

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2021-2022</u>
Land	\$ 21,762	\$ 21,762	\$ -	\$ -	\$ 21,762	\$ 21,762	0.00%
Buildings and improvements	7,844,424	7,968,719	-	-	7,844,424	7,968,719	-1.56%
Improvements, other than buildings	171,161	193,917	-	-	171,161	193,917	-11.73%
Furniture and equipment	954,358	957,885	85,383	56,795	1,039,741	1,014,680	2.47%
Right-to-use leased equipment	<u>113,989</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,989</u>	<u>-</u>	100.00%
Totals	<u>\$ 9,105,694</u>	<u>\$ 9,142,283</u>	<u>\$ 85,383</u>	<u>\$ 56,795</u>	<u>\$ 9,191,077</u>	<u>\$ 9,199,078</u>	-0.09%

### Long-Term Debt

At June 30, 2022, the District had \$3,744,507 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 58% from last year (see Figure A-5). Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$19 million.

Figure A-5

	Outstanding Long-term Obligations		
	Total	Total	
	District	Change	
	June 30,	June 30,	
	<u>2022</u>	<u>2021</u>	<u>2021-2022</u>
Governmental activities			
General obligation bonds	\$ 1,258,000	\$ 1,258,000	0.00%
Revenue bonds	1,429,000	1,657,000	-13.76%
Lease agreements	120,849	-	100.00%
Termination benefits	425,300	202,054	110.49%
Net pension liability	99,001	5,266,490	-98.12%
Total OPEB liability	<u>409,576</u>	<u>332,702</u>	23.11%
	3,741,726	8,716,246	-57.07%
Business type activities			
Net pension liability	<u>2,781</u>	<u>147,447</u>	-98.11%
Totals	<u>\$ 3,744,507</u>	<u>\$ 8,863,693</u>	-57.75%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which could significantly affect its financial health in the future:

- Enrollment is declining and will continue to decline. District funding is driven by enrollment; therefore, future enrollment stability is a critical element in maintaining a sound financial foundation. The District anticipates a decline in K-12 enrollment and a greater number of open-enrolled out students than open-enrolled in students.
- The District negotiated a new agreement with the Sumner-Fredericksburg Community Education Association (SFEA) for fiscal year 2022. Settlements in excess of "new money" or allowable growth in state funding for Certified as well as Classified staff will have an adverse effect on the District's General budget and related fund balance.
- The District is planning on monitoring expenses for the 2022-2023 school year due primarily to a lack of adequate funding from the State. The district is also making preparations as it is aware of the declining enrollment in the future.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Beth Weepie, District Business Manager, Sumner-Fredericksburg Community School District, 802 W 6<sup>th</sup> Street, Sumner, Iowa 50674.

## Basic Financial Statements

SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2022

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 6,877,314	\$ 353,298	\$ 7,230,612
Receivables			
Property tax			
Delinquent	40,842	-	40,842
Succeeding year	4,686,575	-	4,686,575
Accounts receivable	52,563	-	52,563
Income surtaxes	510,830	-	510,830
Due from other governments	244,938	1,423	246,361
Inventories	-	19,861	19,861
Non-depreciable capital assets	21,762	-	21,762
Capital assets, net of accumulated depreciation/amortization	9,083,932	85,383	9,169,315
Total assets	<u>21,518,756</u>	<u>459,965</u>	<u>21,978,721</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	<u>708,579</u>	<u>19,903</u>	<u>728,482</u>
<b>Liabilities</b>			
Accounts payable	257,262	-	257,262
Salaries and benefits payable	957,317	3,577	960,894
Unearned revenue	-	13,624	13,624
Accrued interest payable	2,078	-	2,078
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	153,000	-	153,000
Lease agreements	27,918	-	27,918
Termination benefits payable	64,980	-	64,980
Total OPEB liability	11,706	-	11,706
Portion due after one year			
General obligation bonds payable	1,105,000	-	1,105,000
Revenue bonds payable	1,429,000	-	1,429,000
Lease agreements	92,931	-	92,931
Termination benefits payable	360,320	-	360,320
Net pension liability	99,001	2,781	101,782
Total OPEB liability	397,870	-	397,870
Total liabilities	<u>4,958,383</u>	<u>19,982</u>	<u>4,978,365</u>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	4,686,575	-	4,686,575
Pension related deferred inflows	3,983,965	111,898	4,095,863
Total deferred inflows of resources	<u>8,670,540</u>	<u>111,898</u>	<u>8,782,438</u>

See notes to financial statements.



SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2022

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Net Position</b>			
Net investment in capital assets	\$ 6,297,845	\$ 85,383	\$ 6,383,228
Restricted for			
Categorical funding	1,030,252	-	1,030,252
Physical plant and equipment	953,243	-	953,243
Student activities	334,628	-	334,628
School infrastructure	2,249,883	-	2,249,883
Debt service	180,943	-	180,943
Unrestricted	(2,448,382)	262,605	(2,185,777)
Total net position	<u>\$ 8,598,412</u>	<u>\$ 347,988</u>	<u>\$ 8,946,400</u>

See notes to financial statements.

**SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT**

**Statement of Activities**

**For the Year Ended June 30, 2022**

**Exhibit B**

<u><b>Functions/Programs</b></u>	<u><b>Program Revenues</b></u>			<u><b>Net (Expense) Revenue and Changes in Net Position</b></u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
<b>Governmental activities</b>						
<b>Instruction</b>						
Regular instruction	\$ 4,443,308	\$ 348,151	\$ 1,807,604	\$ -	\$ (2,287,553)	\$ -
Special instruction	1,308,727	87,884	68,336	-	(1,152,507)	-
Other instruction	1,154,192	368,724	6,887	-	(778,581)	-
	<u>6,906,227</u>	<u>804,759</u>	<u>1,882,827</u>	<u>-</u>	<u>(4,218,641)</u>	<u>-</u>
<b>Support services</b>						
Student	241,743	-	-	-	(241,743)	-
Instructional staff	423,744	-	-	-	(423,744)	-
Administration	1,084,985	35,965	-	-	(1,049,020)	-
Operation and maintenance of plant	1,123,436	49,433	-	-	(1,074,003)	-
Transportation	572,681	-	82,736	-	(489,945)	-
	<u>3,446,589</u>	<u>85,398</u>	<u>82,736</u>	<u>-</u>	<u>(3,278,455)</u>	<u>-</u>
	<u>4,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,656)</u>	<u>-</u>
<b>Non-instructional programs</b>						
Other expenses						
Facilities acquisition	211,390	-	-	-	(211,390)	-
Long-term debt interest	37,390	-	-	-	(37,390)	-
AEA flowthrough	382,317	-	382,317	-	-	-
Depreciation/amortization (unallocated) *	288,722	-	-	-	(288,722)	-
	<u>919,819</u>	<u>-</u>	<u>382,317</u>	<u>-</u>	<u>(537,502)</u>	<u>-</u>
	<u>11,277,291</u>	<u>890,157</u>	<u>2,347,880</u>	<u>-</u>	<u>(8,039,254)</u>	<u>-</u>
<b>Total governmental activities</b>						

\* This amount excludes the depreciation/amortization included in the direct expenses of the various programs.

See notes to financial statements.

SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2022

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
<b><u>Functions/Programs (continued)</u></b>						
Business type activities						
Non-instructional programs						
Food service operations	\$ 476,826	\$ 64,251	\$ 663,451	\$ -	\$ -	\$ 250,876
Total	<u>\$11,754,117</u>	<u>\$ 954,408</u>	<u>\$3,011,331</u>	<u>\$ -</u>	<u>(8,039,254)</u>	<u>\$ 250,876</u>
						<u>6,906,227</u>
<b><u>General Revenues</u></b>						
Property tax levied for						
General purposes					3,990,959	-
Debt service					14,201	-
Capital outlay					493,877	-
Income surtax					502,239	-
Statewide sales, services and use tax					942,382	-
Unrestricted state grants					3,703,463	-
Contributions and donations					6,000	-
Unrestricted investment earnings					13,023	528
Miscellaneous					30,940	-
Total general revenues					<u>9,697,084</u>	<u>528</u>
Change in net position					1,657,830	251,404
Net position beginning of year					6,940,582	96,584
Net position end of year					<u>\$ 8,598,412</u>	<u>\$ 347,988</u>
						<u>\$ 8,946,400</u>

See notes to financial statements.

SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Balance Sheet  
Governmental Funds  
June 30, 2022

Exhibit C

		Capital Projects		Nonmajor	
	General	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Governmental Funds	Total
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$3,114,287	\$2,241,223	\$ 799,072	\$ 722,732	\$ 6,877,314
Receivables					
Property tax					
Delinquent	32,823	-	4,431	3,588	40,842
Succeeding year	3,611,210	-	514,300	561,065	4,686,575
Accounts receivable	52,098	-	-	465	52,563
Income surtax	357,581	-	153,249	-	510,830
Due from other governments	178,938	66,000	-	-	244,938
Total assets	<u>\$7,346,937</u>	<u>\$2,307,223</u>	<u>\$1,471,052</u>	<u>\$ 1,287,850</u>	<u>\$12,413,062</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities					
Accounts payable	\$ 193,664	\$ 57,340	\$ 3,509	\$ 2,749	\$ 257,262
Salaries and benefits payable	957,317	-	-	-	957,317
Total liabilities	<u>1,150,981</u>	<u>57,340</u>	<u>3,509</u>	<u>2,749</u>	<u>1,214,579</u>
Deferred inflows of resources					
Unavailable revenue					
Succeeding year property tax	3,611,210	-	514,300	561,065	4,686,575
Income surtax	357,581	-	153,249	-	510,830
Total deferred inflows of resources	<u>3,968,791</u>	<u>-</u>	<u>667,549</u>	<u>561,065</u>	<u>5,197,405</u>
Fund balances					
Restricted for					
Categorical funding	1,030,252	-	-	-	1,030,252
School infrastructure	-	2,249,883	-	-	2,249,883
Debt service	-	-	-	183,021	183,021
Student activities	-	-	-	334,628	334,628
Management levy purposes	-	-	-	206,387	206,387
Physical plant and equipment	-	-	799,994	-	799,994
Unassigned	1,196,913	-	-	-	1,196,913
Total fund balances	<u>2,227,165</u>	<u>2,249,883</u>	<u>799,994</u>	<u>724,036</u>	<u>6,001,078</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$7,346,937</u>	<u>\$2,307,223</u>	<u>\$1,471,052</u>	<u>\$ 1,287,850</u>	<u>\$12,413,062</u>

See notes to financial statements.

SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position  
June 30, 2022

Exhibit D

<b>Total fund balances of governmental funds</b>	<b>\$6,001,078</b>
--	--------------------

**Amounts reported for governmental activities in the Statement of Net Position are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,105,694
--	-----------

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	510,830
--	---------

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(2,078)
--	---------

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 708,579	
Deferred inflows of resources	<u>(3,983,965)</u>	(3,275,386)

Long-term liabilities, including lease agreements payable, bonds payable, early retirement payable, other postemployment benefits payable and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(3,741,726)</u>
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<b>Net position of governmental activities</b>	<b><u>\$8,598,412</u></b>
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SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2022

Exhibit E

		Capital Projects		Nonmajor Governmental Funds	Total
		Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy		
Revenues	General				
Local sources					
Local tax	\$ 3,912,204	\$ -	\$ 633,353	\$ 389,347	\$ 4,934,904
Tuition	355,132	-	-	-	355,132
Other	258,525	50,195	-	276,271	584,991
State sources	5,270,017	942,382	4,902	3,992	6,221,293
Federal sources	817,825	-	-	-	817,825
Total revenues	<u>10,613,703</u>	<u>992,577</u>	<u>638,255</u>	<u>669,610</u>	<u>12,914,145</u>
Expenditures					
Current					
Instruction					
Regular	4,350,395	11,408	109,199	67,768	4,538,770
Special	1,425,235	-	-	-	1,425,235
Other	906,689	-	-	276,302	1,182,991
	<u>6,682,319</u>	<u>11,408</u>	<u>109,199</u>	<u>344,070</u>	<u>7,146,996</u>
Support services					
Student	235,702	-	6,352	932	242,986
Instructional staff	400,907	-	81,884	2,062	484,853
Administration	1,107,593	7,200	33,871	19,501	1,168,165
Operation and maintenance of plant	1,046,750	12,880	17,521	115,984	1,193,135
Transportation	475,922	94,000	8,031	38,515	616,468
	<u>3,266,874</u>	<u>114,080</u>	<u>147,659</u>	<u>176,994</u>	<u>3,705,607</u>
Non-instructional programs	-	-	-	4,656	4,656
Other expenditures					
Facilities acquisition	-	415,952	20,170	-	436,122
Long-term debt					
Principal	-	-	-	228,000	228,000
Interest and fiscal charges	-	-	-	38,548	38,548
AEA flowthrough	382,317	-	-	-	382,317
	<u>382,317</u>	<u>415,952</u>	<u>20,170</u>	<u>266,548</u>	<u>1,084,987</u>
Total expenditures	<u>10,331,510</u>	<u>541,440</u>	<u>277,028</u>	<u>792,268</u>	<u>11,942,246</u>

See notes to financial statements.

SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2022

Exhibit E

		Capital Projects			
		Statewide	Physical	Nonmajor	
		Sales,	Plant and	Governmental	
		Services and	Equipment	Funds	
	<u>General</u>	<u>Use Tax</u>	<u>Levy</u>		<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 282,193	\$ 451,137	\$361,227	\$ (122,658)	\$ 971,899
Other financing sources (uses)					
Transfers in	-	-	-	250,867	250,867
Transfers (out)	-	(250,867)	-	-	(250,867)
Total other financing sources (uses)	-	(250,867)	-	250,867	-
Change in fund balances	282,193	200,270	361,227	128,209	971,899
Fund balance, beginning of year	<u>1,944,972</u>	<u>2,049,613</u>	<u>438,767</u>	<u>595,827</u>	<u>5,029,179</u>
Fund balance, end of year	<u>\$2,227,165</u>	<u>\$2,249,883</u>	<u>\$799,994</u>	<u>\$ 724,036</u>	<u>\$ 6,001,078</u>

See notes to financial statements.

SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2022

Exhibit F

**Change in fund balances - total governmental funds** \$ 971,899

**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. These costs are not reported in the Statement of Activities, but they are allocated over the estimated useful lives of the capital assets as depreciation/amortization expense in the Statement of Activities. Capital outlay expenditures and depreciation/amortization expense for the current year are as follows:

Expenditures for capital assets	\$ 570,454	
Depreciation/amortization expense	<u>(607,043)</u>	(36,589)

Because some revenues will not be collected for several months after the year end, they are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds, as follows:

Other		20,978
-------	--	--------

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances and repayments are as follows:

Issued	(142,486)	
Repayments	<u>249,637</u>	107,151

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	(223,246)	
Pension expense	315,519	
Other postemployment benefits	<u>(76,874)</u>	15,399

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,157

The current year District IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position.

577,835

**Change in net position of governmental activities**

\$1,657,830



SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
Proprietary Fund  
June 30, 2022

Exhibit G

	<u>Nonmajor Enterprise School Nutrition Fund</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 353,298
Due from other governments	1,423
Inventories	<u>19,861</u>
Total current assets	374,582
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>85,383</u>
Total assets	<u>459,965</u>
 <b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	<u>19,903</u>
 <b>Liabilities</b>	
Current liabilities	
Accrued salaries and benefits	3,577
Unearned revenue	<u>13,624</u>
Total current liabilities	17,201
Noncurrent liabilities	
Net pension liability	<u>2,781</u>
Total liabilities	<u>19,982</u>
 <b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	<u>111,898</u>
 <b>Net Position</b>	
Net investment in capital assets	85,383
Unrestricted	<u>262,605</u>
Total net position	<u>\$ 347,988</u>

See notes to financial statements.

SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2022

Exhibit H

	Nonmajor <u>Enterprise</u> School Nutrition <u>Fund</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 64,251</u>
Operating expenses	
Support services	
Operation and maintenance of plant	
Purchased services	<u>4,258</u>
Non-instructional programs	
Food service operations	
Salaries	187,796
Benefits	(43,220)
Purchased services	108
Supplies	313,962
Depreciation	13,648
Miscellaneous	<u>274</u>
	<u>472,568</u>
Total operating expenses	<u>476,826</u>
Operating (loss)	<u>(412,575)</u>
Non-operating revenues	
Interest income	528
State sources	3,908
Federal sources	<u>659,543</u>
Total non-operating revenues	<u>663,979</u>
Change in net position	251,404
Net position beginning of year	<u>96,584</u>
Net position end of year	<u><u>\$ 347,988</u></u>

See notes to financial statements.

SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2022

Exhibit I

	Nonmajor Enterprise School Nutrition Fund
Cash flows from operating activities	
Cash received from sale of services	\$ 61,733
Cash payments to employees for services	(228,255)
Cash payments to suppliers for goods and services	(259,344)
Net cash (used in) operating activities	(425,866)
Cash flows from non-capital financing activities	
State grants received	3,908
Federal grants received	605,722
Net cash provided by non-capital financing activities	609,630
Cash flows from capital and related financing activities	
Acquisition of capital assets	(42,236)
Cash flows from investing activities	
Interest on investments	528
Net increase in cash and cash equivalents	142,056
Cash and cash equivalents, beginning of year	211,242
Cash and cash equivalents, end of year	<u>\$ 353,298</u>
<b>Reconciliation of operating (loss) to net cash</b>	
<b>(used in) operating activities</b>	
Operating (loss)	\$(412,575)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities	
Depreciation	13,648
Commodities used	62,923
Change in assets and liabilities:	
Inventories	(3,665)
Deferred outflows of resources	73,440
Accrued salaries and benefits	(2,350)
Net pension liability	(144,666)
Deferred inflows of resources	(10,103)
Unearned revenue	(2,518)
Net cash (used in) operating activities	<u>\$(425,866)</u>

**Non-cash investing, capital and related financing activities.**

During the year ended June 30, 2022, the District received \$62,923 of federal commodities.

See notes to financial statements.

SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2022

Exhibit J

	Private Purpose <u>Trust</u> <u>Scholarships</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 534,493
Accrued interest receivable	<u>98</u>
Total assets	534,591
<b>Net position</b>	
Restricted for scholarships	<u>\$ 534,591</u>

See notes to financial statements.

SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Year Ended June 30, 2022

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Gifts and contributions	\$ 14,475
Interest	<u>19,065</u>
Total additions	33,540
Deductions	
Scholarships awarded	<u>14,350</u>
Change in net position	19,190
Net position beginning of year	<u>515,401</u>
Net position end of year	<u><u>\$ 534,591</u></u>

See notes to financial statements.

SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2022

**Note 1. Summary of Significant Accounting Policies**

Sumner-Fredericksburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Sumner and Fredericksburg, Iowa, and portions of the predominate agricultural territories in Chickasaw, Fayette and Bremer Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Sumner-Fredericksburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Sumner-Fredericksburg Community School District has no component units which meets the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects - Statewide Sales, Services and Use Tax Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets from the revenue of the Statewide Sales, Services and Use Tax.

The Capital Projects - Physical Plant and Equipment Levy Fund is used to account for all resources from the regular and voter-approved levy used for major expenditures related to real property and equipment.

The District reports no major proprietary funds; however, it reports the following nonmajor proprietary fund:

The District's Enterprise Fund is the School Nutrition Fund which is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund consists of the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims, judgments and early retirement are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.



Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for Enterprise Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at amortized cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2021.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, equipment and intangible right-to-use leased assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed under "Leases" below) if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	\$10,000
Improvements other than buildings	\$10,000
Right-to-use leased assets	\$ 5,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,000

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment and the right-to-use leased assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	50 years
Improvements to buildings	20-50 years
Right-to-use leased assets	2-15 years
Furniture and equipment	5-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Leases - Sumner-Fredericksburg Community School District is the lessee for a noncancellable lease of equipment. The District has recognized a lease liability and right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes leases with an initial, individual value of \$5,000 or more.

At the commencement of the lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how Sumner-Fredericksburg Community School District determines the discount rate it uses to discount the expected lease payments to present value, lease term and lease payments.

Sumner-Fredericksburg Community School District uses the interest rate charged by the lessor at the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and a purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Termination Benefits - Certified District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2022. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Total OPEB Liability - For purposes of measuring the total OPEB liability OPEB expense, information has been determined based on the Sumner-Fredericksburg District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental and business-type activities will be paid primarily by the General Fund.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and income surtax not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, and unrecognized items not yet charged to pension expense.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Balance - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classification.

Net Position - In the district-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Net position restricted through enabling legislation includes \$953,243 for physical plant and equipment, \$334,628 for student activities, and \$2,249,883 for school infrastructure.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 2. Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2022 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72

**Note 3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
Major Capital Projects	Nonmajor Governmental	
Statewide Sales, Service and Use Tax	Debt Service	\$ 250,867

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfers from the Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for principal and interest payments on debt.



#### Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2022 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated/amortized:				
Land	\$ 21,762	\$ -	\$ -	\$ 21,762
Capital assets being depreciated/amortized:				
Buildings and improvements	14,055,024	141,672	-	14,196,696
Improvements other than buildings	389,614	-	-	389,614
Furniture and equipment	7,755,958	286,296	-	8,042,254
Right-to-use leased equipment	-	142,486	-	142,486
Total capital assets being depreciated/amortized	<u>22,200,596</u>	<u>570,454</u>	<u>-</u>	<u>22,771,050</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	6,086,305	265,967	-	6,352,272
Improvements other than buildings	195,697	22,756	-	218,453
Furniture and equipment	6,798,073	289,823	-	7,087,896
Right-to-use leased equipment	-	28,497	-	28,497
Total accumulated depreciation/amortization	<u>13,080,075</u>	<u>607,043</u>	<u>-</u>	<u>13,687,118</u>
Total capital assets being depreciated/amortized, net	<u>9,120,521</u>	<u>(36,589)</u>	<u>-</u>	<u>9,083,932</u>
Governmental activities capital assets, net	<u>\$ 9,142,283</u>	<u>\$ (36,589)</u>	<u>\$ -</u>	<u>\$ 9,105,694</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 162,753	\$ 42,236	\$ -	\$ 204,989
Less accumulated depreciation	<u>105,958</u>	<u>13,648</u>	<u>-</u>	<u>119,606</u>
Business type activities capital assets, net	<u>\$ 56,795</u>	<u>\$ 28,588</u>	<u>\$ -</u>	<u>\$ 85,383</u>

Depreciation/amortization expense was charged to the following functions:

#### Governmental activities

Instruction	
Regular	\$ 117,570
Other	67,907
Support services	
Support services	28,497
Administration	9,657
Operation and maintenance of plant	14,996
Transportation	<u>79,694</u>
	318,321
Unallocated	<u>288,722</u>
Total governmental activities depreciation/amortization expense	<u>\$ 607,043</u>

**Business-type activities**

Food services	<u>\$ 13,648</u>
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**Note 5. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2022 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
Lease agreements	\$ -	\$ 142,486	\$ 21,637	\$ 120,849	\$ 27,918
General obligation bonds	1,258,000	-	-	1,258,000	153,000
Revenue bonds	1,657,000	-	228,000	1,429,000	-
Termination benefits	202,054	273,360	50,114	425,300	64,980
Net pension liability	5,266,490	-	5,167,489	99,001	-
Total OPEB liability	<u>332,702</u>	<u>76,874</u>	<u>-</u>	<u>409,576</u>	<u>11,706</u>
Totals	<u>\$ 8,716,246</u>	<u>\$ 492,720</u>	<u>\$5,467,240</u>	<u>\$ 3,741,726</u>	<u>\$257,604</u>

## Business type activities

Net pension liability	<u>\$ 147,447</u>	<u>\$ -</u>	<u>\$ 144,666</u>	<u>\$ 2,781</u>	<u>\$ -</u>
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Interest costs incurred and charged to expense on all long-term debt was \$37,390 for the year ended June 30, 2022. During the year ended June 30, 2022, the District made principal payments on total long-term debt of \$249,637.

Lease Agreements

On July 21, 2021, the District entered into a lease agreement for copiers with Marco Technologies LLC. The agreement requires monthly payments of \$900 over 5 years with an implicit interest rate of 2.15% and final payment due July 15, 2026. During the year ended June 30, 2022, principal and interest paid were \$8,975 and \$928, respectively.

Year Ending June 30,	Marco Copier Lease			
	Interest Rates	Principal	Interest	Total
2023	2.15%	\$ 9,994	\$ 809	\$ 10,803
2024	2.15%	10,211	592	10,803
2025	2.15%	10,433	370	10,803
2026	2.15%	10,659	144	10,803
2027	2.15%	899	2	901
Totals		<u>\$ 42,196</u>	<u>\$ 1,917</u>	<u>\$ 44,113</u>

On September 16, 2021, the District entered into a lease agreement for copiers with Access Systems, Inc. The agreement requires monthly payments of \$1,560 over 5 years with an

implicit interest rate of 2.15% and final payment due September 15, 2026. During the year ended June 30, 2022, principal and interest paid were \$12,662 and \$1,382, respectively.

Year	Access Systems Copier Lease			
Ending	Interest			
<u>June 30,</u>	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	2.15%	\$ 17,924	\$ 1,517	\$ 19,441
2024	2.15%	18,513	1,124	19,637
2025	2.15%	18,915	722	19,637
2026	2.15%	18,637	316	18,953
2027	2.15%	4,664	17	4,681
Totals		<u>\$ 78,653</u>	<u>\$ 3,696</u>	<u>\$ 82,349</u>

#### Termination Benefits

The District offered a voluntary early retirement plan to its licensed employees. An employee is deemed to be eligible for this program when they have completed at least fifteen consecutive years of service as a licensed employee with the Sumner-Fredericksburg Community School District and will have attained at least fifty-five years of age on or before June 30 of the fiscal year of retirement.

Upon retirement, the licensed employee was eligible to continue participation in the District's group health insurance plan, at the District's expense for a period up to June 30 of the year the retiree reaches age 65. The retiree will receive a monthly stipend of \$670 which will be held in a non-interest escrow account which will be used to pay for the insurance premiums. The insurance plan will be the standard plan offered to all employees. If the retiree chooses a plan with a lower deductible that has a higher premium, the retiree must pay the difference. If the retiree chooses a plan that costs less than the \$670 per month, the retiree does not receive that difference. The insurance coverage will cease when the retiree reaches the age of sixty-five, secures other employment in which that employer provides insurance coverage, or dies.

At June 30, 2022 the District had obligations to ten former employees for a total of \$425,300.

#### General Obligation Bonds

Details of the District's June 30, 2022 general obligation indebtedness are as follows:

Year	Bond Issue of March 23, 2021			
Ending	Interest			
<u>June 30,</u>	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	0.75%	\$ 153,000	\$ 12,466	\$ 165,466
2024	0.80%	154,000	11,318	165,318
2025	0.85%	155,000	10,087	165,087
2026	0.90%	157,000	8,769	165,769
2027	1.00%	157,000	7,356	164,356
2028-2030	1.0-1.3%	482,000	11,914	493,914
Totals		<u>\$ 1,258,000</u>	<u>\$ 61,910</u>	<u>\$ 1,319,910</u>



### Refunded General Obligation Bonds

On March 23, 2021 the District issued \$1,258,000 of general obligation bonds to refund the general obligation bond issue of May 1, 2010. The \$1,225,000 remaining balance of the 2010 issue was called and paid from the proceeds of the refunding general obligation bonds on May 1, 2021. This amount is considered to be extinguished and, therefore, has been excluded from the long-term debt of the District at June 30, 2021. This crossover refunding was undertaken to reduce total debt service payments over the next nine years by \$160,911 and resulted in an economic gain of \$167,629.

### Revenue Bonds

Details of the District's June 30, 2022 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	Bond Issue of November 24, 2020			
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	1.38%	\$ -	\$ 9,860	\$ 9,860
2024	1.38%	231,000	18,126	249,126
2025	1.38%	234,000	14,918	248,918
2026	1.38%	236,000	11,675	247,675
2027	1.38%	240,000	8,390	248,390
2028-2029	1.38%	<u>488,000</u>	<u>6,748</u>	<u>494,748</u>
Totals		<u>\$ 1,429,000</u>	<u>\$ 69,717</u>	<u>\$ 1,498,717</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,958,000 bonds issued November 24, 2020. The bonds were issued for the purpose of refunding the 2010 and 2016 bond issues. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 30% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,498,717 at June 30, 2022. For the current year, \$228,000 of principal and \$22,867 of interest was paid on the bonds. Total statewide sales, services and use tax revenues were \$942,382 for the year ended June 30, 2022.

The bonds were issued to refund the bond issues of 2010 and 2016. The \$2,140,000 remaining balance of the 2010 and 2016 issues was called and paid from the proceeds of the refunding statewide sales, services and use tax refunding bonds on December 1, 2020. This amount is considered to be extinguished and, therefore, has been excluded from the long-term debt of the District at June 30, 2022. This refunding was undertaken to reduce total debt service payments over the next nine years by \$248,825 and resulted in an economic gain of \$235,358.

## **Note 6. Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization

Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%.

The District’s contributions to IPERS for the year ended June 30, 2022 totaled \$577,835.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2022, the District reported a liability of \$101,782 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the District’s proportion was 0.072602%, which was a decrease of 0.005009 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$893,355. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 77,442	\$ 77,756
Changes of assumptions	66,574	-
Net difference between projected and actual earnings on IPERS' investments	-	3,687,716
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	6,249	330,391
District contributions subsequent to the measurement date	<u>578,217</u>	<u>-</u>
Total	<u>\$ 728,482</u>	<u>\$ 4,095,863</u>

\$578,217 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2023	\$ (973,295)
2024	(983,432)
2025	(910,075)
2026	(1,062,753)
2027	(16,043)
Total	<u>\$ (3,945,598)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	22.0%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	<u>3.0</u>	2.87
Total	<u>100.0%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$3,602,388	\$101,782	\$(2,831,949)

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS - At June 30, 2022, the District reported no payables to IPERS for legally required District contributions or for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.



## Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by Sumner-Fredericksburg District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	8
Active employees	<u>86</u>
Total	<u>94</u>

Total OPEB Liability - The District's total OPEB liability of \$409,576 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2022)	2.75% per annum.
Rates of salary increase (effective June 30, 2022)	0% OPEB directly determined by service years, not salary.
Discount rate (effective June 30, 2022)	2.37% per annum.
Healthcare cost trend rate (effective June 30, 2022)	6.0% per annum.

Discount Rate - The discount rate used to measure the total OPEB liability was 2.37% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP 2014 annuity mortality table. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year	<u>\$ 332,702</u>
Changes for the year:	
Service cost	37,918
Interest	9,735
Differences between expected and actual experiences	-
Changes in assumptions	25,170
Demographic changes	20,292
Recognition of deferred inflows/outflows	(4,535)
Benefit payments	<u>(11,706)</u>
Net changes	<u>76,874</u>
Total OPEB liability end of year	<u>\$ 409,576</u>

Changes of assumptions reflect a change in the discount rate from 3.15% in fiscal year 2021 to \$2.37% in fiscal year 2022.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.37%) or 1% higher (3.37%) than the current discount rate.

	1% Decrease (1.37%)	Discount Rate (2.37%)	1% Increase (3.37%)
Total OPEB liability	\$451,005	\$409,576	\$372,708

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.0%) or 1% higher (7.0%) than the current healthcare cost trend rates.

	1% Decrease (5.0%)	Healthcare Cost Trend Rate (6.0%)	1% Increase (7.0%)
Total OPEB liability	\$374,622	\$409,576	\$452,225

OPEB Expense and Deferred Outflows of Resources Related to OPEB - For the year ended June 30, 2022, the District recognized OPEB expense of \$76,874. At June 30, 2022 the District reported no deferred inflows or outflows of resources related to OPEB.

#### **Note 8. Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$382,317 for the year ended June 30, 2022 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **Note 10. Contingencies**

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2022, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

#### **Note 11. Categorical Funding**

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2022.



<u>Program</u>	
Gifted and Talented	\$ 156,122
Teacher leadership grant	212,178
Preschool state aid	555,142
Teacher salary supplement	11,834
Early literacy	5,985
Educator quality, professional development	<u>88,991</u>
	<u>\$ 1,030,252</u>

## **Note 12. Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

### Tax Abatements of Other Entities

Other entities within the District provide tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa. Additionally, the City of Sumner offered an urban revitalization tax abatement program pursuant to Chapter 404 of the Code of Iowa. With prior approval by the governing body, this program provides for an exemption of taxes based on a percentage of the actual value added by improvements.

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2022 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Sumner	Economic development projects	\$55,251

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2022, this reimbursement amounted to \$19,605.

## **Note 13. Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 87, Leases, was implemented during fiscal year 2022. At July 1, 2021, the District had no leases meeting the definition of GASBS No. 87, therefore, implementation of this standard had no effect on the beginning capital assets, liabilities or net position.

**Note 14. Deficit Net Position**

The District had negative unrestricted net position of \$2,448,382 at June 30, 2022 in the Governmental Activities.

**Note 15. Subsequent Events**

The District has evaluated subsequent events through February 13, 2023 which is the date that the financial statements were available to be issued.

## Required Supplementary Information

# SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT

## Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual All Governmental Funds and Enterprise Fund Required Supplementary Information For the Year Ended June 30, 2022

	Governmental Funds Actual	Enterprise Fund Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
<b>Revenues</b>						
Local sources	\$ 5,875,027	\$ 64,779	\$ 5,939,806	\$5,968,111	\$ 5,968,111	\$ (28,305)
State sources	6,221,293	3,908	6,225,201	6,187,639	6,187,639	37,562
Federal sources	817,825	659,543	1,477,368	772,157	772,157	705,211
Total revenues	12,914,145	728,230	13,642,375	12,927,907	12,927,907	714,468
<b>Expenditures/Expenses</b>						
Instruction	7,146,996	-	7,146,996	7,770,000	7,895,000	748,004
Support services	3,705,607	4,258	3,709,865	4,165,000	4,165,000	455,135
Non-instructional programs	4,656	472,568	477,224	485,000	585,000	107,776
Other expenditures	1,084,987	-	1,084,987	1,676,691	1,676,691	591,704
Total expenditures/expenses	11,942,246	476,826	12,419,072	14,096,691	14,321,691	1,902,619
Excess (deficiency) of revenues over (under) expenditures/expenses	971,899	251,404	1,223,303	(1,168,784)	(1,393,784)	2,617,087
Net other financing sources	-	-	-	5,000	5,000	(5,000)
Change in fund balance	971,899	251,404	1,223,303	(1,163,784)	(1,388,784)	2,612,087
Balance, beginning of year	5,029,179	96,584	5,125,763	4,973,875	4,973,875	151,888
Balance, end of year	\$ 6,001,078	\$ 347,988	\$ 6,349,066	\$3,810,091	\$ 3,585,091	\$ 2,763,975

See accompanying Independent Auditor's Report.

SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2022

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District amended its certified budget one time during the year ended June 30, 2022 to increase budgeted expenditures by \$225,000.

SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System

For the Last Eight Years\*

Required Supplementary Information

	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.072602%	0.077611%	0.078449%	0.078449%	0.079697%	0.077821%	0.0696300%	0.091700%
District's proportionate share of the net pension liability	\$ 101,782	\$ 5,413,937	\$ 4,573,238	\$ 5,055,375	\$ 5,261,356	\$ 4,897,522	\$ 3,461,779	\$ 3,711,177
District's covered payroll	\$ 5,892,530	\$ 6,107,306	\$ 6,021,314	\$ 5,985,729	\$ 5,899,758	\$ 5,584,727	\$ 4,318,641	\$ 6,123,281
District's proportionate share of the net pension liability as a percentage of its covered payroll	1.73%	88.65%	75.95%	84.46%	89.18%	87.69%	80.16%	60.61%
IPERS' net position as a percentage of the total pension liability	100.81%	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

\*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Schedule of District Contributions  
Iowa Public Employees' Retirement System  
For the Last Ten Years  
Required Supplementary Information

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 577,835	\$ 556,149	\$ 576,530	\$ 568,412	\$ 534,526	\$ 525,955	\$ 492,454	\$ 385,654	\$ 546,809	\$ 381,550
Contributions in relation to the statutorily required contribution	<u>(577,835)</u>	<u>(556,149)</u>	<u>(576,530)</u>	<u>(568,412)</u>	<u>(534,526)</u>	<u>(525,955)</u>	<u>(492,454)</u>	<u>(385,654)</u>	<u>(546,809)</u>	<u>(381,550)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered payroll	\$6,121,134	\$5,892,530	\$6,107,306	\$6,021,314	\$5,985,729	\$5,889,758	\$5,514,602	\$4,318,641	\$6,123,281	\$4,400,807
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%

See accompanying Independent Auditor's Report.

SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Pension Liability  
For the Year Ended June 30, 2022

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.



Sumner-Fredericksburg Community School District  
Schedule of Changes in the District's  
Total OPEB Liability, Related Ratios and Notes  
For the Last Five Years  
Required Supplementary Information

	2022	2021	2020	2019	2018
Service cost	\$ 37,918	\$ 24,567	\$ 24,619	\$ 24,986	\$ 24,980
Interest cost	9,735	10,662	9,937	15,007	14,365
Difference between expected and actual experiences	-	-	(42,504)	-	-
Changes in assumptions	25,170	-	(62,876)	-	-
Demographic changes	20,292	-	-	-	-
Recognition of deferred inflows/outflows	(4,535)	(6,837)	(4,779)	(5,417)	(3,335)
Benefit payments	(11,706)	(10,966)	(9,324)	(16,682)	(18,976)
Net change in total OPEB liability	76,874	17,426	(84,927)	17,894	17,034
Total OPEB liability beginning of year	332,702	315,276	400,203	382,309	365,275
Total OPEB liability end of year	\$ 409,576	\$ 332,702	\$ 315,276	\$ 400,203	\$ 382,309
Covered-employee payroll	\$ 6,229,198	\$ 5,847,788	\$ 6,058,575	\$ 5,873,938	\$ 5,881,194
Total OPEB liability as a percentage of covered-employee payroll	6.58%	5.69%	5.20%	6.81%	6.50%

**Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

The 2022 valuation implemented the following refinements as a result of a new actuarial opinion dated June 30, 2022:

Changed mortality assumptions to the RP 2014 annuity mortality table

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2021	2.37%
Year ended June 30, 2020	3.15%
Year ended June 30, 2019	3.72%
Year ended June 30, 2018	3.72%
Year ended June 30, 2017	2.50%

**Note:** GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

## Supplementary Information

SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2022

Schedule 1

	Special Revenue			
	Student Activity	Management Levy	Debt Service	Total
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$336,805	\$ 203,033	\$ 182,894	\$ 722,732
Receivables				
Property tax				
Delinquent	-	3,461	127	3,588
Succeeding year	-	395,000	166,065	561,065
Accounts receivable	465	-	-	465
Total assets	<u>\$337,270</u>	<u>\$ 601,494</u>	<u>\$ 349,086</u>	<u>\$1,287,850</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities				
Accounts payable	<u>\$ 2,642</u>	<u>\$ 107</u>	<u>\$ -</u>	<u>\$ 2,749</u>
Deferred inflows of resources				
Unavailable revenue				
Succeeding year property tax	<u>-</u>	<u>395,000</u>	<u>166,065</u>	<u>561,065</u>
Fund balances				
Restricted for				
Student activities	334,628	-	-	334,628
Management levy purposes	-	206,387	-	206,387
Debt service	-	-	183,021	183,021
Total fund balances	<u>334,628</u>	<u>206,387</u>	<u>183,021</u>	<u>724,036</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$337,270</u>	<u>\$ 601,494</u>	<u>\$ 349,086</u>	<u>\$1,287,850</u>

See accompanying Independent Auditor's Report.

SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2022

Schedule 2

	Special Revenue		Debt	
	Student	Management	Service	Total
	Activity	Levy		
Revenues				
Local sources				
Local taxes	\$ -	\$ 375,286	\$ 14,061	\$389,347
Other	275,977	294	-	276,271
State sources	-	3,852	140	3,992
Total revenues	<u>275,977</u>	<u>379,432</u>	<u>14,201</u>	<u>669,610</u>
Expenditures				
Current				
Instruction				
Regular	-	67,768	-	67,768
Other	276,302	-	-	276,302
Total instruction	<u>276,302</u>	<u>67,768</u>	<u>-</u>	<u>344,070</u>
Support services				
Student	-	932	-	932
Instructional staff	-	2,062	-	2,062
Administration	-	19,501	-	19,501
Operation and maintenance	-	115,984	-	115,984
of plant				
Transportation	-	38,515	-	38,515
Total support services	<u>-</u>	<u>176,994</u>	<u>-</u>	<u>176,994</u>
Non-instructional programs	<u>-</u>	<u>4,656</u>	<u>-</u>	<u>4,656</u>
Other expenditures				
Long-term debt				
Principal	-	-	228,000	228,000
Interest and fiscal charges	-	-	38,548	38,548
Total other expenditures	<u>-</u>	<u>-</u>	<u>266,548</u>	<u>266,548</u>
Total expenditures	<u>276,302</u>	<u>249,418</u>	<u>266,548</u>	<u>792,268</u>
Excess (deficiency) of revenues over (under) expenditures	(325)	130,014	(252,347)	(122,658)
Other financing sources				
Interfund operating transfers in	<u>-</u>	<u>-</u>	<u>250,867</u>	<u>250,867</u>
Change in fund balances	(325)	130,014	(1,480)	128,209
Fund balances, beginning of year	334,953	76,373	184,501	595,827
Fund balances, end of year	<u>\$334,628</u>	<u>\$ 206,387</u>	<u>\$ 183,021</u>	<u>\$724,036</u>

See accompanying Independent Auditor's Report.

SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2022

Schedule 3

<u>Account</u>	<u>Balance, Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-fund Transfers</u>	<u>Balance, End of Year</u>
Annual	\$ 43,759	\$ 13,645	\$ 12,509	\$ -	\$ 44,895
Senior high athletics (co-ed athletics)	9,559	85,625	85,592		9,592
Wellness	1,311	-	48	-	1,263
Drama and speech	1,156	4,547	3,693	-	2,010
Durant D.O.O.R.S	61,455	-	1,473	-	59,982
Durant activities	869	15,559	9,562	-	6,866
FCCLA	7,932	7,540	9,166	-	6,306
FFA	34,530	35,365	32,851	-	37,044
HS miscellaneous	35	251	44	-	242
HS instrumental music	13,952	2,594	3,171	-	13,375
Senior high activities	785	5,419	1,994	1,074	5,284
Get a grip	2,331	-	-	-	2,331
NHS	803	490	265	-	1,028
DURANT RIF	285	389	24	-	650
Spanish fundraising	217	-	-	-	217
Student senate-senior high	1,295	5,871	5,741	-	1,425
Vocal music	37,025	6,519	12,089	(3,000)	28,455
MS athletics	4,059	17,579	19,773	-	1,865
MS student council	1,830	682	365	-	2,147
MS miscellaneous - other	5,126	298	271	-	5,153
HS golf	616	3,331	1,607		2,340
MS band	4,920	10,621	9,836	-	5,705
MS snack	2,777	-	200	-	2,577
MS teachers	1,547	285	642	-	1,190
MS student activities	5,285	9,331	7,734	-	6,882
Book fair	247	9,022	9,016	-	253
MS vocal	5,724	4,976	6,560	-	4,140
Des vocal	-	268	94	3,000	3,174
FB MISC JUICE MACHINE	2,818	689	817	-	2,690
FBURG PBIS	2,538	2,000	669	-	3,869
MS Concessions	3,422	7,411	4,250	-	6,583
FES ELEM MISC	11,065	590	499	-	11,156
Friends of the cougar's den	42,294	-	14,733	-	27,561
DES Misc- interest	4,229	163	-	-	4,392
Strength and conditioning	338	-	236	-	102
Cougar football	5,620	13,311	14,197	-	4,734
Cross country	-	1,346	24		1,322
Cheerleading	-	2,470	968		1,502
Boys basketball	-	721	84	-	637
Volleyball	-	426	-	-	426
Class of 2021	1,554	100	-	(1,074)	580
Class of 2022	7,631	-	3,333	-	4,298
Class of 2023	4,014	3,316	2,001	-	5,329
Class of 2024	-	2,606	171	-	2,435
Class of 2025	-	621	-	-	621
Totals	<u>\$ 334,953</u>	<u>\$ 275,977</u>	<u>\$ 276,302</u>	<u>\$ -</u>	<u>\$ 334,628</u>

See accompanying Independent Auditor's Report.

SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds  
For the Last Ten Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	Modified Accrual Basis									
<b>Revenues</b>										
Local sources										
Local tax	\$ 4,934,904	\$ 4,660,198	\$ 4,341,563	\$ 4,081,948	\$ 4,118,014	\$ 3,856,411	\$ 4,099,919	\$ 3,820,934	\$ 4,816,734	\$ 4,517,468
Tuition	355,132	433,146	320,673	386,581	341,336	397,437	391,178	365,009	1,284,621	1,678,703
Other	584,991	668,371	582,900	671,635	649,282	720,220	579,732	453,186	841,032	883,494
State sources	6,221,293	6,332,131	6,169,906	5,870,182	5,994,127	6,064,946	5,693,104	6,212,774	4,430,387	4,278,800
Federal sources	817,825	417,639	211,323	159,041	165,052	165,165	170,747	151,912	270,197	241,219
<b>Total revenues</b>	<b>\$12,914,145</b>	<b>\$12,511,485</b>	<b>\$11,626,365</b>	<b>\$11,169,387</b>	<b>\$11,267,811</b>	<b>\$11,204,179</b>	<b>\$10,934,680</b>	<b>\$11,003,815</b>	<b>\$11,642,971</b>	<b>\$11,599,684</b>
<b>Expenditures</b>										
Current										
Instruction										
Regular	\$ 4,538,770	\$ 4,389,795	\$ 4,679,126	\$ 4,698,852	\$ 4,480,141	\$ 4,376,612	\$ 4,289,237	\$ 4,367,681	\$ 5,176,054	\$ 5,436,492
Special	1,425,235	1,301,308	1,432,774	1,135,899	1,150,412	1,271,016	887,243	883,205	1,031,937	959,301
Other	1,182,991	1,416,389	1,184,897	1,179,750	1,176,118	1,203,713	1,370,542	1,279,058	1,382,884	1,298,364
Support services										
Student	242,986	293,895	235,101	187,588	249,720	178,821	160,640	176,859	209,270	211,840
Instructional staff	484,853	256,099	267,828	292,997	448,121	476,294	189,553	195,126	185,640	146,192
Administration	1,168,165	1,140,516	1,034,687	1,020,502	1,049,891	928,719	919,186	914,982	1,028,563	979,955
Operation and maintenance of plant	1,193,135	1,140,831	1,034,939	1,016,788	1,021,619	955,009	1,001,865	1,029,932	977,250	874,271
Transportation	616,468	483,970	395,711	609,498	522,337	498,888	462,635	426,267	638,414	512,130
Non-instructional programs	4,656	-	-	-	-	-	-	-	-	-
Other expenditures										
Facilities acquisition	436,122	198,675	118,511	355,776	696,009	149,371	35,554	117,171	95,229	488,658
Long-term debt										
Principal	228,000	4,041,000	590,000	570,000	560,000	535,000	2,049,906	593,296	586,570	485,000
Interest and other charges	38,548	144,539	162,547	184,174	193,742	206,611	243,931	287,232	296,956	314,397
AEA flowthrough	382,317	381,494	376,368	361,124	361,549	354,048	354,248	356,324	339,534	319,926
<b>Total expenditures</b>	<b>\$11,942,246</b>	<b>\$15,188,511</b>	<b>\$11,512,489</b>	<b>\$11,612,948</b>	<b>\$11,909,659</b>	<b>\$11,134,102</b>	<b>\$11,964,540</b>	<b>\$10,627,133</b>	<b>\$11,948,301</b>	<b>\$12,026,526</b>

See accompanying Independent Auditor's Report.

Sumner-Fredericksburg Community School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

Schedule 5

<u>Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
Indirect			
U.S. Department of Agriculture			
Passed through Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	FY22	\$ 156,330
National School Lunch Program	10.555	FY22	502,599 *
Total Child Nutrition Cluster			658,929
COVID 19- EBT Administrative Costs	10.649	FY22	614
Total U.S. Department of Agriculture			659,543
U.S. Department of Education			
Passed through Iowa Department of Education			
Title I Grants to Local Education Agencies	84.010	FY22	101,709
Special Education Grants to States	84.027	FY22	5,510
Supporting Effective Instruction State Grants (Title IIA)	84.367	FY22	19,678
Student Support and Academic Enrichment Program (Title IV-A)	84.424	FY22	10,000
Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act (CARES) Cluster			
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Funds	84.425D	FY22	218,000
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER III) Funds - Learning Loss	84.425U	FY22	137,613
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER III) Funds	84.425U	FY22	184,983
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER III) Funds - Teacher Retention Bonus	84.425U	FY22	71,049
Total Education Stabilization Fund Under CARES Cluster			611,645
Total Iowa Department of Education			748,542
Passed through Central Rivers Area Education Agency			
Special Education Grants to States	84.027	FY22	35,710
Career and Technical Education - Tech-Prep Education	84.048	FY22	6,457
Total passed through Central Rivers Area Education Agency			42,167
Total U.S. Department of Education			790,709
Total federal expenditures			\$ 1,450,252

\* includes \$62,923 of non-cash awards

**Basis of Presentation** - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Sumner-Fredericksburg Community School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Sumner-Fredericksburg Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Sumner-Fredericksburg Community School District.

See accompanying Independent Auditor's Report.

Sumner-Fredericksburg Community School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

Schedule 5

**Summary of Significant Accounting Policies** - Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate** - Sumner-Fredericksburg Community School District uses a federally negotiated indirect cost rate as allowed under the Uniform Guidance.

**Subrecipients** - There were no awards passed through to subrecipients by Sumner-Fredericksburg Community School District.



# Kay L. Chapman, CPA PC

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Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of Sumner-Fredericksburg Community School District:

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sumner-Fredericksburg Community School District as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated February 13, 2023.

## Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Sumner-Fredericksburg Community School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sumner-Fredericksburg Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Sumner-Fredericksburg Community School District's internal control.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. I

identified a certain deficiency in internal control, described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 2022-001 that I consider to be a material weakness.

#### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sumner-Fredericksburg Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2022 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Sumner-Fredericksburg Community School District's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedure on Sumner-Fredericksburg Community School District's responses to the findings identified in my audit and described in the accompanying Schedule of Findings and Questioned Costs. Sumner-Fredericksburg Community School District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Sumner-Fredericksburg Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC  
February 13, 2023

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## Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Education of Sumner-Fredericksburg Community School District:

### Report on Compliance for Each Major Federal Program

#### Opinion on Each Major Federal Program

I have audited Sumner-Fredericksburg Community School District's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of Sumner-Fredericksburg Community School District's major federal programs for the year ended June 30, 2022. Sumner-Fredericksburg Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In my opinion, Sumner-Fredericksburg Community School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

#### Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of Sumner-Fredericksburg Community School District and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of Sumner-

Fredericksburg Community School District's compliance with the compliance requirements referred to above.

#### Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Sumner-Fredericksburg Community School District's federal programs.

#### Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sumner-Fredericksburg Community School District's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgement made by a reasonable user of the report on compliance about Sumner-Fredericksburg Community School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Sumner-Fredericksburg Community School District's compliance with the compliance requirements referred to above and performing other such procedures as I considered necessary in the circumstances.
- Obtain an understanding of Sumner-Fredericksburg Community School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Sumner-Fredericksburg Community School District's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance I identified during the audit.

#### Report on Internal Control over Compliance

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that was not identified. However, as discussed below, I did identify a certain deficiency in internal control over compliance that I consider to be a material weakness.

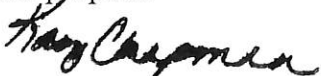
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2022-002 to be a material weakness.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Sumner-Fredericksburg Community School District's response to the internal control over compliance finding identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. Sumner-Fredericksburg Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Kay L. Chapman, CPA PC  
February 13, 2023

SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

**I. Summary of Independent Auditor's Results**

**Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?
- Noncompliance material to financial statements noted?

<u>  X  </u>	Yes	<u>      </u>	No
<u>      </u>	Yes	<u>  X  </u>	None reported
<u>      </u>	Yes	<u>  X  </u>	No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

<u>  X  </u>	Yes	<u>      </u>	No
<u>      </u>	Yes	<u>  X  </u>	None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

<u>  X  </u>	Yes	<u>      </u>	No
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**Identification of major program(s):**

FAL Number    Name of Federal Program or Cluster

Child Nutrition Cluster

10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	National School Lunch Program - Commodities - Noncash

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

<u>      </u>	Yes	<u>  X  </u>	No
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SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

**Part II: Findings Related to the Financial Statements**

INTERNAL CONTROL DEFICIENCY

MATERIAL WEAKNESS

2022-001 Segregation of Duties

Condition - I noted that the same individual performed the following duties: recording and processing of cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information.

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the District's financial statements.

Cause - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Effect - Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2021-001.

Recommendation - I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional controls through review of financial transactions, reconciliations and reports. These independent reviews should be documented by the signature or initials of the reviewer and the date of the review.

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Views of Responsible Officials and Planned Corrective Actions - We will review our procedures and implement changes to improve internal control, as we deem necessary.

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**Part III: Findings and Questioned Costs for Federal Awards**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY**

**FAL Number 10.553: School Breakfast Program**

**FAL Number 10.555: National School Lunch Program**

**FAL Number 10.555: National School Lunch Program – Noncash commodities**

**Pass-through Entity Identifying Number: N/A**

**Federal Award Year: 2022**

**Prior Year Finding Number: 2021-002**

**U.S. Department of Agriculture**

**Passed through the Iowa Department of Education**

**MATERIAL WEAKNESS**

**2022-002 Segregation of Duties**

The District did not properly segregated custody, record-keeping and reconciling functions for revenues and expenditures, including those related to federal programs. See 2022-001.

**Part IV. Other Findings Related to Required Statutory Reporting**

1. Certified Budget - Expenditures for the year ended June 30, 2022 did not exceed the amounts budgeted.
2. Questionable Expenditures - No expenditures were noted that I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.



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4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Restricted Donor Activity - No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
6. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
7. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
8. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education was noted.
9. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
10. Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
11. Certified Annual Reports - The Certified Annual Report was certified timely to the Iowa Department of Education.
12. Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
13. Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2022, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

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Beginning balance		\$ 2,049,613
Revenues		
Statewide sales and services tax revenue	\$ 942,382	
Contributions and donations	<u>50,195</u>	992,577
Expenditures/transfers out		
School infrastructure		
School infrastructure construction	\$ 214,037	
Equipment and vehicles	327,403	
Transfers to other fund		
Debt service fund	<u>250,867</u>	<u>792,307</u>
Ending balance		<u>\$ 2,249,883</u>

For the year ended June 30, 2022, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

14. Deficit Net Position - The District's governmental activities had a negative unrestricted net position of \$2,448,382 at June 30, 2022.

Recommendation - The District should continue to monitor these activities and investigate alternatives to eliminate this deficit in order to return the activities to a sound financial condition.

Response - This deficit was a result of adopting GASB Statement No. 68 during the year ended June 30, 2016. We will review the situation and implement changes, as needed.

Conclusion - Response accepted.

SUMNER-FREDERICKSBURG COMMUNITY SCHOOL DISTRICT  
Audit Staff  
June 30, 2022

This audit was performed by

Kay Chapman, CPA  
Terri Slater, staff accountant